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How financial advisors can help clients who want to move abroad
By Rob Burgess
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Maybe they're inspired by the prospect of a lower cost of living and healthcare.

If they were from another country originally, they may want to be closer to family.

Perhaps the current political climate in the U.S. is not to their liking.

"There is a large exodus of U.S. citizens who wish to leave the United States and move to Europe," said Yana Kossinskaya, head of client experience at Levitt Capital Management, a wealth management firm in Nice, France, that specializes in helping Americans residing in Europe. "Today, the biggest reason we hear is that people are tired of the division in the country and the non-stop chatter of politics. They come from both sides of the aisle. Many fear that the longer-term outlook for the U.S. is less optimistic than they have felt for a long time."

Or, it could be that they just want to experience something new.

"Last week, I spoke with a couple in their 40s who want to move overseas to experience a different lifestyle," said Jane Mepham, founder and principal advisor at Elgon Financial Advisors in Austin, Texas, and co-host of the "International Money Café Podcast." "They are young. No kids. Their parents are still healthy. They have traveled extensively and now want to settle somewhere outside the U.S. for a couple of years."

Whatever their reasoning, clients who are interested in moving outside the country have many considerations and expenses to mull over first. Relocation experts say that financial advisors can help clients plan carefully to avoid common pitfalls in such a substantial move.

Figuring out where to live
The first expense for many Americans looking to relocate to another country involves figuring out their final destination, said Graham Hill, a real estate consultant at Find Osaka Agents in Sapporo, Hokkaido, Japan.

As his business is focused on international clients relocating to Japan, he said initially encourages them to spend some money getting to know a few neighborhoods before they commit to a long-term lease or purchase property.

"What has appeal as a tourist, and where you want to live long-term are not always the same," he said. "It takes time to see the differences, and I strongly

advise clients to explore 'life as a local' before they decide on a home."

Some clients take several trips to the destination, staying in different neighborhoods each time, preferably outside of tourist districts, said Hill.

"For clients that are already committed, they can come and intentionally stay in hotels or Airbnb accommodations in various locations, and from those temporary lodgings, they can explore neighborhoods, apartments, property and more," he said.

When a client's individual ranking of the best-fitting cities is ready, Vasily Yurenkov, CEO and founder of relocation strategy advisory firm Greener Relocation in Amsterdam, said they help them examine the trade-offs they will face in each place.

"Some of our clients choose not to move anywhere, because they realize that the trade-offs will outweigh the gains," he said.

Health care and estate plans don't travel well, or at all

In her experience, Jackie Lange said the main reasons people leave the U.S. are the costs of living and healthcare. She founded Panama Relocation Tours in 2010 and has helped about 7,000 people relocate to Panama.

Medicare does not cover Americans overseas, but Medicare Advantage covers urgent care and emergencies in Panama. However, expat health insurance is often available for around $220 per year, said Lange. This includes unlimited doctor visits, lab work and X-rays, plus three specialist visits per year and free ambulance service, she said.

"Without insurance, you can see a doctor in Panama for less than $20, or you can go to a public hospital to see a doctor for $2," she said.

Just as health insurance doesn't travel well abroad, neither do estate plans, said Ann Marie Regal, founder of Singapore-based Avrio Wealth.

"Estate tax thresholds are much lower in many other countries," she said. "What works in the U.S. seldom works from abroad."

One of the biggest pitfalls Kossinskaya sees is that people moving overseas want to put their affairs in order before they leave. So they arrange trusts for their estates.

"But this all assumes death occurs as a U.S. resident, and of course, they will no longer be a U.S. resident," she said. "The trust that they created ended up being extremely expensive and designed for a country they no longer live in."

Tax challenges

The U.S. has a citizenship-based taxation system, meaning citizens are generally

required to pay taxes on their worldwide income, regardless of where they reside.

A crucial aspect of moving abroad is understanding these sorts of tax implications, said Jonathon Merickel, portfolio advisor at Savant Wealth Management in Chicago, who has helped several clients with moving abroad.

"To mitigate the potential for double taxation, explore options like the Foreign Tax Credit and tax treaties with other countries," he said. "Furthermore, verify if your state requires continued tax filing while living abroad. A cross-border tax professional can provide valuable guidance on these complex matters."

The traditional strategies for building wealth for retirement in the U.S. end up being difficult to manage when withdrawing from retirement accounts at much higher tax rates than anticipated, said Scott Evans, co-founder and CEO of Liberty Atlantic Advisors, in Allen, Texas, which specializes in working with Americans moving to, or living in, Europe.

Conventional U.S. financial planning strategies "are basically flipped on their head," he said.

"If you have diligently saved into 401(k)s and IRAs throughout your working life, and now the bulk of your retirement nest egg is in tax-deferred accounts, which will be taxed at much higher rates at much lower amounts of income, there is a lot of income distribution planning needed to achieve your clients' lowest lifetime tax bill," he said. "People who don't understand that and plan for it could face a pretty dim reality when they start paying taxes in their new country."

Getting everything there, including the pets

Once a client has figured out location, taxes, health care, estate planning and every other associated expense, there is still the process of actually transporting all their possessions to their new home.

Planning what to bring, downsizing and coordinating international shipping are among the many associated moving and customs concerns, said Federica Grazi, founder and managing director of Mitos Relocation Solutions in London, who specializes in retirement moves to the Mediterranean.

"For those traveling with pets, they need to assess whether they can fly in the same plane or require ad hoc pet relocation services," she said.

Premium pet relocation services can run anywhere from $5,000 to $10,000, said Grazi.

However, in-cabin or cargo flights are much cheaper at around $200.

Beyond standard moving expenses, there are visa application fees and potentially attorney and translation fees, as well, said Brett Spencer, founder and lead

advisor at Impact Financial in Chicago, who specializes in relocation and has clients worldwide.

"Often in the first year, people have higher travel and housing costs before they settle in," he said. "An advisor specialized in cross-border planning can ensure that clients remain in a good position, managing all of these issues while abroad."